LOCATIONS FOR THE NEW IRS
OPERATING DIVISION HEADQUARTERS

The Internal Revenue Service has announced the locations of the headquarters for its four proposed operating divisions:

Operating Division	*Headquarters Location (metropolitan area)*
Wage and Investment Income Operating Division	Atlanta, GA
Small Business & Self-Employed Operating Division	Washington, DC
Large & Mid-Size Business Operating Division	Central New Jersey
Tax Exempt Operating Division	Washington, DC

PURPOSE AND SCOPE

Each of these headquarters offices will have total responsibility for meeting the needs of a particular group of taxpayers. By specializing on specific taxpayers, each operating division will be able to develop programs suited to providing top quality service to those taxpayers. The staff of these four headquarters offices will be relatively small and will comprise less than 2 percent of the IRS workforce. They will focus on strategic leadership, monitoring programs, and financial management.

IMPLEMENTATION SCHEDULE

IRS will begin planning the four headquarters offices immediately and will establish them over the next two years.

- The Tax Exempt Operating Division headquarters and Large & Mid-Size Business Operating Division headquarters should be set up by the middle of 1999, beginning with recruitment for the heads of the divisions.

(more)

- The Wage and Investment Income Operating Division headquarters and Small Business & Self-Employed Operating Division headquarters will begin to be set up later this year or early in 2000.

BACKGROUND

The four headquarters offices are being formed as part of the overall process of modernizing the IRS that began in January 1998.

Congress had mandated that the IRS organize in units that will meet the needs of particular groups of taxpayers. The IRS consulted with a wide range of individuals and groups to determine how many operating divisions to have and which taxpayers they should serve.

The IRS has conducted a similar analysis to determine the best locations for the headquarters of the operating divisions.

Modernization of the IRS involves more than a change in organization structure. It also involves:

- Changing our IRS business practices to meet the needs of specific groups of taxpayers.

- Adopting new technologies that will allow us to give taxpayers the same service they expect from leading private sector firms.

- Developing balanced measures to assess our performance on how well we serve taxpayers and how well equipped our employees are to serve taxpayers, as well as on our business results.

- Assigning clear management roles, so taxpayers know who is responsible for meeting their needs.

The modernization of the IRS is the most far-reaching change in tax administration in the United States since early in the Eisenhower administration.

THE PLANNED IRS ORGANIZATION

Each operating division will be responsible for planning and managing nationwide programs that meet the needs of particular groups of taxpayers.

(more)

The four operating divisions are:

Wage and Investment Income

Individual taxpayers filing simple 1040, 1040A, and 1040EZ returns. This operating division will serve approximately 88 million taxpayers.

Small Business & Self-Employed

Taxpayers who also file Schedules C, E, F, or Form 2106; partnerships, S-corporations, and corporations with assets under $5 million. This operating division will serve approximately 40 million taxpayers.

Large & Mid-Size Business

Mid-size business are those corporations, S corporations and partnerships with assets between $5 million and $250 million. Large businesses are those with assets greater than $250 million. This operating division will serve approximately 170,000 taxpayers.

Tax Exempt

Includes tax exempt organizations, employee plans, and state and local governments. This operating division will serve approximately 1.5 million taxpayers.

SELECTION CRITERIA

Assumed in the site selection process is that most IRS activities and most employees will continue to be located in field offices close to the taxpayers they serve.

The guiding principles used to determine the locations of the four headquarters sites were as follows:

- Minimize disruption caused by relocation.

- Minimize costs associated with setting up new headquarters.

(more)

- Minimize ongoing operating costs of the headquarters.

- Select locations that would be attractive to employees to relocate.

- Select locations that can readily provide an appropriately trained labor pool to staff headquarters activities.

Additional criteria used to evaluate potential headquarters sites were:

- Number of executives and managers in that location.

- Availability of IRS staff with the necessary skills.

- Proximity of customers.

- Proximity to Washington, DC.

- Operating costs of current facilities.

- Cost of relocating employees.

- Cost of setting up and running the headquarters.

APPLICATION OF SELECTION CRITERIA

The sites selected as headquarters cities ranked high on particular selection criteria:

Wage and Investment Income Operating Division

- The Atlanta, GA, area ranks high on availability of skills among IRS staff and attractiveness for IRS employees. The Atlanta area is the current location of the Customer Service Command Center, a Service Center, a customer service call site, and current regional and district offices.

(more)

- 5 -

Small Business & Self-Employed Operating Division

- The Washington, DC, area ranks high on availability of skills among IRS staff and number of senior executives and mid-level managers. Washington, DC, is also the headquarters for many national organizations representing this group of taxpayers.

Large & Mid-Size Business Operating Division

- Central New Jersey currently has the largest concentration of employees with the skills needed to do this work, due to the large-case work located there. This location also provides easy access to Washington, DC.

Tax Exempt Operating Division

- The Washington, DC, area ranks highest on availability of skills among IRS staff. One of the four Employee Plans/Exempt Organizations key districts nationwide is located within the commuting area.

X   X   X